

Message Text

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ACTION NEA-09

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TO SECSTATE WASHDC PRIORITY 2701

INFO AMEMBASSY AMMAN PRIORITY

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AMEMBASSY JIDDA PRIORITY

AMCONSUL DHAHRAN PRIORITY

C O N F I D E N T I A L BEIRUT 1625

E.O. 11652: GDS

TAGS: ENRG, ELTN, JO, LE, SA

SUBJECT: TAPLINE PROBLEMS IN JORDAN

REF: BEIRUT 1360, AMMAN 794 AND EARLIER

SUMMARY: WE HAVE FOLLOWING OBSERVATIONS AND SUGGESTION:

(A) PROBLEM BASED ON HIGH TAXES WHICH SAUDIS CAN REDUCE;
(B) IF PROBLEM SO PRESSING JORDANIANS SHOULD BE ABLE
RAISE IT WITH SAUDIS EARLIER THAN END FEBRUARY (PARA
7, AMMAN 794); (C) PROBLEM IS EXAMPLE OF MARKET FORCES
EXERTING PRESSURE ON OPEC-IMPOSED PRICE STRUCTURE; (D)
DEPARTMENT MAY THEREFORE WISH EXPLOIT SITUATION OR
AT LEAST ALLOW PRESSURE CONTINUE, ESPECIALLY SINCE (E)
PROBLEM MAY EASE WHEN SAUDI TAKEOVER ARAMCO AGREED,
(F) TAPLINE HAS REQUESTED USG NOT RPT NOT TO INTERVENE
WITH GOVERNMENTS CONCERNED.

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1. IN RESPONSE STATE 024288, WE CAN OFFER FOLLOWING

OBSERVATIONS ON ABOVE SUBJECTT, WITH CAVEAT THAT OTHER POSTS ARE NO DOUBT BETTER INFORMED ON OVERALL PICTURE.

2. MOST IMPORTANT CONSIDERATION, IT WOULD SEEM, IS TAPLINE'S STATUS UNDER PENDING FULL SAUDI TAKEOVER ARAMCO. WE HAVE NOTHIN ON THIS. AS DESCRIBED BY AMMAN, TAPLINE TACTICS SEEM TO INVITE BOTH CONFRONTATION WITH JORDAN AND FURTHER DRIFTING UNTIL SAUDI TAKEOVER QUESTION SETTLED. (COULD BE THAT DODGE UNHAPPY WITH HIS INSTRUCTIONS FROM NEW YORK --- PLEASE PROTECT DODGE.)

3. ANOTHER VITAL POINT WOULD APPEAR TO BE TECHNICAL QUESTION PARA 8 AMMAN 794: CANNOT TAPLINE FIND WAY TO "SQUEEZE" MORE CRUDE TO ZERKA BY APPLYING TEMPORARY "TOURNIQUET" JUST PAST ZERKA? WE NOT RPT NOT QUALIFIED JUDGE THIS POINT BUT WONDER IF REAL OBSTACLE IS TAPLINE RELUCTANCE SURRENDER CURRENT LEVERAGE. IF TAPLINE EASES UP THIS TIME IT PRESUMABLLY WOULD BE EXPECTED DO SO NEXT TIME.

4. WISH POINT OUT THA TAPLINE NEGOTIATING WITH EYE ON SMILAR PROBLEM WITH GOVERNMENT OF LEBANON (GO), WHICH SINCE AUGUST 1, 1973 HAS BEEN SEQUESTERING 15,000-16,000 BPD OF TAPLINE CRUDE (WITHOUT, AS FAR AS WE KNOW, ANY PAYMENT TO DATE) FOR MEDRECO REFINERY AT TAPLINE TERMINUS SIDON, OWNED BY THREE OF ARAMCO'S FOUR PARENTS (EXXON NOT INVOLVED MEDRECO). LEGAL SITUATION APPARENTLY SLIGHTLY DIFFERENT IN THAT GOL SEQUESTERING WHILE GOJ SIMPLY NOT PAYING BUT GOL DEPT THROUGH 1974 ALSO ABOUT \$50 MILLION ON TAX-PAID COST BASIS REQUIRED BY A 1952 AGREEMENT COVERING DIRECT GOL OFFTAKE FROM TAPLINE). THUS, TAPLINE NEGOTIATION FOR \$100 MILLION AND PROBABLY ASSUMES THAT ANY FAVORS DONE JORDAN WOULD CERTAINLY BE DEMANDED BY LEBANESE.

5. SAUDIS, ON THEIR PART, MAY FEAR DOMINO EFFECT IN THAT ANY TAX RELIEF GIVEN JORDANIANS WOULD HAVE TO BE GIVEN LEBANESE AND AFTER THEM TO OTHER NON-OIL ARAB COUNTRIES FOLLOWED BY NON-ARAB MOSLEM CONSUMERS, OTHER LDCS, ETC. THUS IN SAUDI EYES RELATIVELY MINOR JORDAN PROBLEM MAY BE CONFIDENTIAL

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SEEN AS EVENTUAL THREAT TO OPEC PRICE SOLIDARITY. FACT REMAINS THAT PROBLEM ORIGINATES WITH HIGH PRODUCER - IMPOSED TAXES AND COULD BE SOVED, OR AT LEAST POSTPONED, BY STROKE OF SAUDI PEN. AT MINIMUM SAUDIS COULD LOWER TAKE ON TAPLINE CRUDE TO MAKE SELLING PRICE COMPETITIVE OTHER EASTERN MED CRUDES (SEE BEIRUT 155 AND 639), PERMITTING RESUMPTION NROMAL TAPLINE THROUGHPUT.

6. REGARDING POSSIBLE CLOSURE TAPLINE PARA 5 AMMAN
REFTEL, THIS INTRODUCED DURING EVERY DISPUTE OR TRANSIT
FEE NEGOTIATION. IT WAS MEDRECO'S THREAT TO CLOSE
DOWN DURING A DISPUTE WHICH PROVOKED CURRENT SEQUESTRATION
TAPLINE CRUDE. AT THAT TIME COMPANY NEGOTIATORS (FROM
NEW YORK) MUTTERED THAT "ONLY WAY TO SOLVE PROBLEM IS TO
CREATE A CRISIS". THEY ALSO IMPLIED THAT KING FEISAL TIRED
OF CONSTANT TAPLINE PROBLEMS SUCH AS DISPUTES AND
SABOTAGE. AS DODGE IF NOT NEW YORK AWARE, TAPLINE
"CLOSURE" (AS DISTINGUISHED FROM TEMPORARY SHUTDOWN, WHICH
FREQUENT) COULD WELL FORCE GOL TO NATIONALIZE ITS SECTION
TAPLINE TO APPEASE AND SCORE POINTS WITH PUBLIC. THIS
WOULD PRODUCE INTERESTING SITUATION IF IT TURNS OUT
TAPLINE IS SAUDI PROPERTY. MORE LIKELY, IT WOULD NOT RPT
NOT IMPROVE TAPLINE'S CHANCES OF COLLECTING GOL DEBT.
(GOL ATKEOVER OF IPC RPT IPC NOW ALMOST TWO YEARS OLD
AND ARBITRATION PROCEDURES NOT RPT NOT YET AGREE.)
ARGUING AGAINST CONFRONTATION-CLOSURE-NATIONALIZATION
SEQUENCE WOULD BE ARAMCO-PARENT MARKETING ARMS HERE.
THROUGHOUT MEDRECO AND TAPLINE DISUPTES THEY HAVE HUNG
ON TANACIOUSLY TO LEBANESE MARKET, SOMETIMES CLAIMING
THEY LOSING MONEY. MOREOVER, CALTEX SEEMS INTERESTED
IN OPERATING LARGE "THIRD REFINERY" GOL HAS TALKED ABOUT
FOR YEARS, WHICH WOULD PROBABLY DRAW ON TAPLINE CRUDE
AND PROBABLY WOULD BE EXPANSION OF MEDRECO. CLOSURE
THEAT THUS PROBABLY ORIGINATES NEW YORK, IF
THERE ANYTHING TO IT.
GODLEY

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